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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 SS-20 NSC-10 EB-11 OMB-01 IO-14 ABF-01

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FM USMISSION NATO
TO SECSTATE WASHDC PRIORITY 2490
SECDEF WASHDC PRIORITY
INFO USCINCEUR
CINCUSAREUR
NSSG(US) CHIEVRES

C O N F I D E N T I A L USNATO 5291

E.O. 11652: GDS79
TAGS: MCAP EFIN NATO
SUBJECT: STATUS OF INFRASTRUCTURE FUNDING

REFS: A. USNATO 5041, 22 OCT 73
B. USNATO 5117, 24 OCT 73
C. USNATO 5171, 26 OCT 73
D. USNATO 4878, 11 OCT 73
E. STATE 216004

BEGIN SUMMARY. AS RESULT OF LOSS OF SOME $63 MILLION TO US INFRASTRUCTURE ACCOUNT BECAUSE OF DOLLAR DEVALUATION WITHOUT CORRESPONDING INCREASES IN US FUND AUTHORIZATION AND APPROPRIATION, MISSION WILL HAVE TO HALT THE NATO INFRASTRUCTURE PROGRAM BY ABOUT APRIL 1974 FAILING APPROPRIATE REMEDIES. ACTION REQUESTED: ALLOTMENT OF AVAILABLE FUNDS TO PERMIT MISSION TO PARTICIPATE IN NATO FUND AUTHORIZATIONS ON 8 NOV AND DOD MEASURES TO REPROGRAM FUNDS AND PROVIDE ADDITIONAL AUTHORIZATION BY SPRING 1974. END SUMMARY.

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1. IN REFS A THRU D, MISSION HAS REFINED FORECAST OF FUND OBLIGATION REQUIREMENTS FOR FY 74 AND SUBMITTED INITIAL ESTIMATE OF REQUIREMENTS FOR FY 74 AND SUBMITTED INITIAL ESTIMATE OF REQUIREMENTS FOR FY 75. REFTELS ALSO ANALYZE EFFECTS OF POSSIBLE

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REFUSAL BY CONGRESS TO GRANT SUFFICIENT AUTHORIZATION AND FUNDING TO PERMIT US TO MEET ITS COMMITMENTS (DPC DECISIONS ON 5 YEAR FUNDING LEVEL AND APPROVAL OF ANNUAL PROGRAMS) TO THE NATO INFRASTRUCTURE PROGRAM. OBVIOUSLY, ANY SHORTAGE OF US FUNDS OR AUTHORIZATION IN FY 74 WILL ADD TO REQUIREMENT FOR FY 75.

2. CURRENT FUNDING PROBLEMS STEM FROM DOLLAR DEVALUATIONS ANNOUNCED IN DEC 71 AND FEB 73. SINCE FY 73 & 74 ESTIMATES FOR US SHARE OF NATO INFRASTRUCTURE WERE MADE BEFORE ANNOUNCEMENT OF THESE TWO DEVALUATIONS, AND SINCE THE CONGRESS DID NOT ACT FAVORABLY ON THE PRESIDENT'S MODIFIED BUDGET REQUEST OF SEP 73 PROVIDING $25 MILLION FOR THE US SHARE OF INFRASTRUCTURE TO ALLEVIATE SHORTAGE DUE TO CURRENCY DEVALUATION, WE HAVE HAD TO ADOPT EXCEPTIONAL PROCEDURES TO AVOID PROGRAM DELAYS IMPOSED UNILATERALLY BY THE US. US MISSION'S REMEDIES SUCH AS NATO DEOBLIGATION OF SURPLUS AUTHORIZATIONS AND ACCELERATED RECOUPMENTS ARE ABOUT EXHAUSTED, AND UNILATERAL DELAY OF PROJECT AUTHORIZATION IS ONLY POLI-TICALLY ACCEPTABLE TO NATO FOR A SHORT PERIOD AT THE END OF A FISCAL YEAR. REQUEST, THEREFORE, FORMULATION OF LONG-TERM SOLUTION TO AVOID FUTURE POSSIBILITY OF HAVING TO RENEGE ON US COMMITMENT TO THE INFRASTRUCTURE PROGRAM, WHILE RESOLVING AS BEST WE CAN OUR FUND DIFFICULTIES IN FY 74.

3. PER PARA 1, REF D, OSD HAS CALCULATED THE COSP OF DOLLAR DEVALUATION IN THE INFRASTURCTURE PROGRAM AT SOME $63 MILLION IN FY 73-74. OF THAT AMONT SOME $20 MILLION HAS BEEN PROVIDED BY NATO DEOBLIGATIONS AND $20.65 MILLION WILL COME FROM REPROGRAMMING OF SAFEGUARD FUNDS IF THE SENATE APPROPRIATION COMMITTEE APPROVES; LEAVING A SHORTAGE OF OVER $20 MILLION. AS NOTED IN REF D THE GUADUAL ROLLBACK OF THE PROBLEM WILL LEAD TO A CRITICAL SITUATION IN FY 74 WHEN (PER REF D) WE EXPECT TO FALL SHORT OF REQUIREMENTS BY SOME $5 MILLION IN AUTHORIZATION AND SOME $25 MILLION IN APPROPRIATIONS, THUS HALTING THE PROGRAM ABOUT APRIL 1974. IN ADDITION, SINCE WE WILL HAVE NO CARRYOVER OF AUTHORIZATION FROM FY 74 INTO FY 75, WE WILL NOT BE ABLE TO RESUME FUND AUTHORIZATIONS UNTIL PASSAGE OF THE FY 75 MILITARY CONSTRUCTION ACT (PERHAPS IN CONFIDENTIAL

OCT 74) UNLESS CONGRESS AGREES TO TAKE ANOTHER EXCEPTIONAL ACTION AS THEY DID FOR FY 74.

4. MISSION SUGGESTS FOLLOWING SOLUTIONS FOR SHORT TERM PROBLEMS:

A. ALLOTMENT OF AT LEAST $20 MILLION FROM PREFINANCING RECOUPMENT SUSPENSE ACCOUNT TO PROVIDE FUNDS PER PARA 5, REF A. FAILING THIS, MISSION WILL HAVE TO RESERVE ON ALL FUND REQUESTS AT MEETING ON THURSDAY, 8 NOVEMBER.

B. LIFTING AS QUICKLY AS POSSIBLE OF PROHIBITION ON FUNDING OF SLICE XXIV WHICH HAS NOW DELAYED WORK ON THE SLICE

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BY TWO MONTHS.

C. REPROGRAMMING OF ADDITIONAL SAFEGUARD OR OTHER FUNDS TO PROVIDE $19.3 MILLION PER PARA 4, REF D, TO PRECLUDE HALTING PROGRAM IN APRIL 1974.

D. USE OF SECRETARY OF THE ARMY AUTHORITY TO INCREASE THE INFRASTRUCTURE AUTHORIZATION BY TEN PERCENT IN THE 1972-1974 MCA PROGRAMS. THIS WOULD COVER THE $5.3 MILLION SHORTAGE OF AUTHORIZATION IN FY 74 AND PROVIDE A MINIMAL CARRYOVER INTO FY 75 (PARA 3, REF D).

5. IF DOD TAKES ACTION SUGGESTED IN PARA 4, AND IF MSSSION'S FY 75 REQUEST IS GRANTED, THERE SHOULD BE NO FURTHER FUNDING PROBLEM THROUGH FY 75. IF HOWEVER, SOME OF THE SOLUTIONS FAIL TO MATERIALIZE, MISSION RECOMMENDS THAT APPROPRIATE ADJUSTMENTS BE MADE IN OSD'S REQUEST FOR FY 75 FUNDS TO PREVENT RECURRENCE OF THE PROBLEM.
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